

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

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SUBJECT: Approval of Minutes of the March 8, 2000  
Investment Committee, Open Session

ITEM NUMBER: 3

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: April 5, 2000

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Proposed minutes of the Investment Committee Meeting held in open session March 8, 2000 are submitted on the following pages.

**PROPOSED  
MINUTES OF THE  
INVESTMENT COMMITTEE MEETING  
OF THE  
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM  
MARCH 8, 2000  
OPEN SESSION  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**COMMITTEE MEMBERS PRESENT**

Gary Lynes, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Marty Mathiesen  
Lillian Raffel  
Emma Zink  
Phil Angelides, State Treasurer  
Kathleen Connell, State Controller  
Curt Robinson, representing State Superintendent of Public Instruction,  
Delaine Eastin  
Annette Porini, representing State Director of Finance  
Tim Gage

**OTHER BOARD MEMBERS OR REPRESENTATIVES PRESENT**

Michael Foulkes  
Jennifer DuCray Morrill  
Kristin Faust  
Chris Drevalas

**STAFF PRESENT**

James Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Elleen Okada, Director of Investment Admin. and External Relations  
Chris Waddell, Chief Counsel  
Doug Wills, Staff Counsel  
Michelle Cunningham, Director of Fixed Income  
Real Desrochers, Director of Alternative Investments  
Steven Tong, Director of Internal Equities  
Richard Rose, Principal Investment Officer  
Jim Hurley, Investment Officer  
Mary Ann Avansino, Administrative Assistant

**OTHERS PRESENT**

Allan Emkin, Pension Consulting Alliance  
Nori Gerardo Lietz, Pension Consulting Alliance  
Doug Le Bon, Pathway Capital Management  
Jonathan Blau, Donaldson, Lufkin, & Jenrette  
Martin S. Fridson, Merrill Lynch & Co.  
Mark Attanasio, Trust Company of the West

Dorothy Moser, UTLA, Retired  
Donald E. Douglas, CRTA  
Edna White, CRTA  
Lois Shive, CRTA

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:30 a.m.

I. **ANNOUNCEMENTS** (Item 2)

Chairperson Lynes announced that immediately following item 8 the meeting would move to closed session, the Health Benefits meeting would convene at 2:00 p.m., and Investment Committee would reconvene upon adjournment of Health Benefits.

II. **APPROVAL OF MINUTES OF THE FEBRUARY 2, 2000 INVESTMENT COMMITTEE, OPEN SESSION** (Item 3)

MOTION duly made by Ms. Zink, seconded by Ms. Porini and carried to approve the minutes of the February 2, 2000, Investment Committee, Open Session as presented.

III. **REPORT OF SUBCOMMITTEE ON CORPORATE GOVERNANCE** (Item 4)

Mr. Angelides reported that letters will be sent to insurance companies held in CalSTRS' portfolio regarding Holocaust era claims.

BY CONSENSUS the Investment Committee accepted the report.

Dr. Connell arrived at the meeting at 9:38 a.m.

IV. **PANEL DISCUSSION – HIGH YIELD BOND MARKET** (Item 6)

Mr. Mitchell introduced Mr. Blau, Mr. Fridson, and Mr. Attanasio. The panelists discussed High Yield Bond Market issues including the history, defaults and recoveries, and portfolio styles, structure, and strategies.

Dr. Connell stated for the record that if the Committee decides to move into this asset, that she would urge active external management due to the nature of high yield bonds.

Dr. Connell left the meeting at 9:50 a.m. Mr. Foulkes assumed representation for the State Controller.

The panel discussion continued.

Mr. Fenimore arrived at 10:30 a.m.

Chairperson Lynes recessed the meeting at 11:00 a.m.

The meeting reconvened at 11:15 a.m.

Chairperson Lynes announced that Item 8 would be considered next.

V. **REAL ESTATE - REPORT ON SINGLE FAMILY HOUSING** (Item 8)

Ms. Gerardo Lietz discussed the written report. Ms. Gerardo Lietz concluded that given market conditions and the overall economic climate, CalSTRS should consider initiating an urban infill housing investment program.

VI. **MOVE TO CLOSED SESSION**

Chairperson Lynes recessed the meeting at 11:45 a.m. and reconvened into closed session at 11:50 a.m.

VII. **RETURN TO OPEN SESSION**

Chairperson Lynes reconvened the open session meeting at 5:50 p.m.

Ms. Drevalas represented the State Treasurer when the open session reconvened.

Mr. Robinson was not present when the open session reconvened.

VIII. **FIXED INCOME – HIGH YIELD BOND REPORT** (Item 6)

Ms. Cunningham and Mr. Emkin reviewed the written report. Discussion ensued.

MOTION duly made by Mr. Mathiesen, and seconded by Mr. Fenimore to direct staff to develop an implementation plan regarding a High Yield Bonds program, for presentation to the Investment Committee. A roll call vote was taken. Dr. Bodle, Mr. Fenimore, Mr. Mathiesen, Ms. Raffel, and Ms. Drevalas voted yes. Ms. Zink, Mr. Foulkes, and Ms. Porini abstained. The motion carried.

IX. **LEGISLATION** (Item 7)

There was nothing to report.

X. **EXTERNAL EQUITY - REPORT ON ACTIVELY MANAGED EQUITY** (Item 9)

Ms. Okada and Ms. Hester Amey presented a report on actively managed equity for 1999. Actively managed domestic equity outperformed the Russell 3000 index by 2.78%. Actively managed non-US equity outperformed the MSCI ACWIxUS index by 15.01%.

XI. **GENERAL – ASSET ALLOCATION REVIEW AND DISCUSSION** (Item 10)

Mr. Emkin discussed the written report identifying the value added or detracted by deviations from the strategic asset allocation targets and investment structure adopted in the Investment Management Plan.

XII. **GENERAL – REPORT ON RISK MEASUREMENT AND CONTROL** (Item 11)

Mr. Mitchell presented the written report.

XIII. **CREDIT ENHANCEMENT PROGRAM - ACTIVITY STATUS REPORT** (Item 12)

Mr. Rose reviewed the written report and provided updates on the San Francisco Conservatory of Music and the Oakland/Alameda Complex transactions.

XIV. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 13)

Mr. Mitchell and Mr. Hurley presented the written report.

XV. **ALTERNATIVE INVESTMENTS - ACTIVITY STATUS REPORT** (Item 14)

Mr. Desrochers reviewed the written report.

XVI. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 15)

Mr. Mitchell reviewed the written report. Mr. Mitchell reported that Gary Brinson as well as two others in top management at Brinson Partners are retiring. Staff will monitor Brinson to ensure that there is no material change with the changes in management.

The BARRA RogersCasey updated tobacco report and the IRRC Tobacco report were distributed to give Committee members an opportunity to review prior to the April discussion.

XVII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 16)

There were no statements from the public.

XVIII. **ADJOURNMENT**

Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 7:16 p.m.

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James D. Mosman, Chief Executive Officer and Secretary to the  
Teachers' Retirement Board

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Gary Lynes, Chairperson